97-84094-16

Parsons, Frank J.

The New York community trust plan

[New York]

[1920?]

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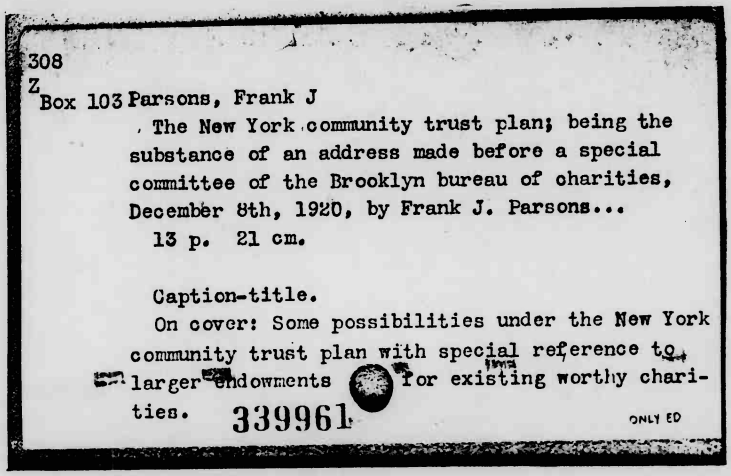

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. The New York community trust plan; being the substance of an address made before a special committee of the Brooklyn bureau of charities, December 8th, 1920, by Frank J. Parsons...
13 p. 21 cm.

Caption-title.
On cover: Some possibilities under the New York community trust plan with special reference to larger endowments for existing worthy charities.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 5-21-97 INITIALS: PB

TRACKING # : MSH 22269

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Prof. E. R. Seligman

SOME POSSIBILITIES *under* THE NEW YORK COMMUNITY TRUST PLAN *and with special reference to* LARGER ENDOWMENTS *for* EXISTING WORTHY CHARITIES

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Box 102

THE NEW YORK COMMUNITY TRUST PLAN

Being the substance of an address made before a Special Committee of the Brooklyn Bureau of Charities, December 8th, 1920

by

FRANK J. PARSONS,

Acting Director, The New York Community Trust

IN appearing before this Committee of the Brooklyn Bureau of Charities, I am assuming that you are interested to know what The New York Community Trust is, what will be its effect, adverse or favorable upon your Bureau, and whether it contains sufficient merit to warrant you in actively supporting it, to the end that the particular work in which you are engaged may be benefited.

In the first place, I should perhaps make my own position clear. I was attracted to the Community Trust idea from its beginnings in 1914, but realized that in a city as large as New York and with such varied interests, such a Trust would not be apt to be successful unless organized on the broadest possible basis. A series of conferences was therefore arranged, to which were invited

not only representatives of the banks and trust companies of the city, but also many other people prominent in different walks of life. Out of these conferences grew The New York Community Trust, for which some nineteen Trust Companies, National and State Banks are now acting as Trustees. The door is open to additional Trustees, subject only to their adoption of the uniform resolution and the securing of the approval of the existing group.

Quoting from the Resolution and Declaration of Trust—The New York Community Trust was formed to "encourage and promote the well being of mankind and primarily of the inhabitants of the community comprising the City of New York and its vicinity, regardless of race, color or creed."

Its principal elements are:

The Banks and Trust Companies who act as Trustees for specific gifts;

The Committee of Distribution which, in the last analysis, controls the distribution of income;

The Director, who under the control of the Committee of Distribution and the Trustees, has charge of the current and active affairs of the Trust.

The advantages of making gifts through the Community Trust Plan are many and great, but if I were asked to name the principal advantages I would state them as follows:

1st—Security of principal and flexibility in the use to which the income may be put, preventing obsolescence in the charitable gift;

2nd—The general stimulus to charitable giving by reason of confidence engendered and the accumulation of a common fund from undesignated gifts from people of both large and small means.

That this question of obsolescence is not an imaginary one or at least confined to ancient times, is easily susceptible of proof. In England, a country much older than our own, the evils growing out of private trusts or foundations with fixed purposes, became a public scandal and menaced the life and health of many communities. A special Act of Parliament was finally passed in an attempt to divert to current and useful charities the income from some forty thousand relatively useless Trusts. In our own country we have but to note the experience of Benjamin Franklin in Boston and Philadelphia, Bryan Mullanphy, former Mayor of St. Louis, and the recent Ward bequest in New Jersey, to realize the seriousness of the situation.

If there is a natural inquiry in your mind

as to whether the workings of The New York Community Trust would interfere in any way with your splendid philanthropy, I would wish to reassure you. The experience to date of Community Trusts throughout the country would tend to dispel any anxiety on this point. In Boston, the Trust existing there, after three years of operations, has accumulated a fund of between $4,000,000 and $5,000,000 and for the year ending June 30, 1920, disbursed some $207,000 in supplementing the work of 91 of the existing worthy charities of the city, this after only reasonable investigation as to efficiency and results. Ninety per cent. of this amount was divided almost equally between various agencies for the care of the sick and for social welfare, and the balance for miscellaneous charitable purposes.

In Cleveland, under wills and living trusts, more than $100,000,000 will eventually be available for the Cleveland Foundation, largely for undesignated purposes. The income from special gifts which have been received, has been devoted to preparatory work and investigation along the lines of education, recreation, delinquency, etc. In this manner the foundations are being laid for the wise use in the years to come of this splendid aggregate of gifts. One of the specific accomplishments has been assistance in the maintenance of the city's playground

activities at a time when lack of financial support would have closed down or curtailed these essential social activities. The stimulus to the solution of the problems of education and delinquency by means of the outgrowths of these studies, has been very noticeable.

I feel that I am correct in stating that the real charitable need is always in excess of the supply and that to secure adequate support it is mainly a question of confidence on the part of donors as to the wisdom and efficiency displayed in the use of their gifts.

As I glanced over the very interesting Year Book of your Bureau for 1920 I was impressed with the fact that your pressing need is for a more adequate endowment and I am equally of the opinion that The New York Community Trust, properly understood and intelligently used, will provide the medium by which this need may be supplied. If I correctly interpret your situation it is, that by reason of the confidence felt in the unselfish and intelligent men who, in the past and up to this time, have conducted the affairs of the Bureau, you have been enabled to secure within reasonable bounds the necessary gifts for the yearly maintenance of your work. By reason of inability, however, to determine the possible future course of the Bureau in different hands and under changing conditions, don-

ors have not been willing to create an endowment adequate for the carrying on of this work. I submit that with the option of selecting as a trustee one of your own Brooklyn trust companies, if you prefer, and thus insuring safety of principal and at the same time taking advantage of the possibilities under the Community Trust plan, (which makes certain that the income from the gift will always be used for public charitable purposes as nearly in line with their desires as possible) donors could more readily be induced to create a substantial endowment for your work.

The personnel of a Committee of Distribution to be selected by the sources of appointment provided for in the resolution creating The New York Community Trust, one member each by the President of the Chamber of Commerce of the State of New York, the President of the New York Academy of Medicine, the President of the Association of the Bar of the City of New York, the President of the Board of Trustees of the Brooklyn Institute of Arts and Sciences, the Senior Circuit Judge of the United States Circuit Court of Appeals for the Second Circuit, the Mayor of the City of New York, and five members by the Trustees, should be a reasonable assurance to donors that their wishes with respect to their charitable gifts will be carried out, subject only to the certain and unavoidable social changes which time brings about.

I think I can illustrate forcibly the advantages in making a gift through the Community Trust and the disadvantage of continuing the old method of making gifts with fixed purposes when I cite the cases of the Carson and Ellis Orphanages in Philadelphia. With endowments aggregating $8,000,000, and an estimated yearly income of $400,000; the trustees by reason of the narrow restrictions of the gifts, have been able to date to secure but 114 girls for these homes. To render this illustration more striking, I would point out that with a considerably less sum of money, your Bureau has been able to carry on all of its numerous and splendid activities and with a little more than half of this income, the Community Trust in Boston has been able to stimulate and supplement the work of over ninety of its existing worthy charities.

Note: As a result of this Conference, it developed that the desire of these Brooklyn friends was to inquire whether a special committee could not be appointed to disburse gifts for Brooklyn charities and also to be assured that gifts made under the existing plan would continue to be applied to Brooklyn charities. In later correspondence Mr. Parsons commented as follows:

"Your feeling with respect to a special

committee for Brooklyn is quite understandable and fully appreciated. I cannot but feel, however, that from the standpoint of Brooklyn charities, they have much to gain and nothing to lose, in co-operating with the Community Trust Plan, as it stands, this for two reasons:

"First, the fact that if gifts are made for specific purposes, the Brooklyn Bureau of Charities, for instance, I cannot conceive that any future Committee of Distribution selected in the manner provided, would divert the income from such gifts to Manhattan or other charities, unless by reason of some unforeseen and overwhelmingly strong reason which cannot now be conceived. In this connection I would direct special attention to the clause showing the careful manner in which any diversion of income is hedged about as follows:

"Any such expressed desire of the maker shall be respected and observed, subject, however, in every case to the condition that if and whenever it shall appear to the Distribution Committee * * * that circumstances have so changed since the execution of the instrument containing any gift, grant, devise or bequest as to render unnecessary, undesirable, impractical or impossible, a literal compliance with the terms of such instrument, said Committee, by resolution adopted by affirmative vote of *nine members* * * * may at any time or from time to time direct the application of such gift, grant, devise or bequest to such other public educational, charitable or benevolent purpose as, in their judgment, will most effectually accomplish the general purpose expressed in subdivision (1) of Paragraph IV, (this refers to the general purposes of the Trust) without regard to and free from any specific restriction, limitation or direction contained in such instrument."

"Second, that with the opportunity provided of stating the merits of their case to the Committee of Distribution and coupled with the requirement in the Resolution that a statement of funds distributed by the Distribution Committee must be published annually, Brooklyn would be certain to get a share at least of undesignated funds.

"Under the provision whereby the Distribution Committee may carry on its investigations through existing agencies or specially appointed temporary committees or agents, the Committee could be kept fully informed as to conditions in Brooklyn or any other part of the city.

"Against any possible disadvantage of the Plan must be placed the known disadvan-

tages under present methods. Such a Distribution Committee as would in all probability be appointed by the sources provided would, it seems to me, soon begin to think and function from the standpoint of the needs of the city as a whole. I certainly feel that the failures of temporary or partial committees in the past have been due to elements which are provided against under the Community Trust Plan."

The New York Community Trust

Created for the Encouragement and Promotion of Gifts for Charitable, Benevolent or Educational Uses

ALVIN W. KRECH
Chairman
Trustees' Committee

TRUSTEES

The Equitable Trust Company of New York
Columbia Trust Company
The New York Trust Company
United States Mortgage & Trust Company
Metropolitan Trust Company
Title Guarantee & Trust Company
Manufacturers Trust Company
Kings County Trust Company
Lawyers Title & Trust Company
Mercantile Trust Company
Fidelity-International Trust Company
American Trust Company
Hamilton Trust Company
The Commercial Trust Company of New York
Hudson Trust Company

Irving National Bank
The American Exchange National Bank
Harriman National Bank

The Bank of America

FRANK J. PARSONS
Acting Director
55 Cedar St., New York

22269

END OF
TITLE